

Message Text

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ACTION EB-07

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FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

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TAGS: EFIN, FR

SUBJECT: WIRE SERVICE REPORTS ON MONETARY ASPECTS
OF SUMMIT

1. THIS REPORT SUMMARIZES LATEST WIRE SERVICE
DISPATCHES RECEIVED HERE ON MONETARY ASPECTS OF
RAMBOUILLET SUMMIT. SEPTTEL REPORTS STATEMENTS BY
FINMIN FOURCADE ON SUBJECT.

2. NEWS ANALYSIS BY AGENCE FRANCE PRESSE (AFP)
DATED NOVEMBER 17 DESCRIBES MONDAY MORNING MEETING
ON FINAL DECLARATION AS DEVOTED TO GUIDELINES
(ORIENTATIONS) TO BE FOLLOWED IN SETTING ECONOMIC
POLICY OF SIX PARTICIPATING COUNTRIES DURING COMING
MONTHS. STORY PROCEEDS AS FOLLOWS: QUOTE. THE ONLY
SIGNIFICANT POINT OF AGREEMENT WHICH HAD EMERGED
UNTIL NOW CONCERNED MONETARY PROBLEMS: THE "SIX"
HAVE MADE A DECISION IN PRINCIPLE TO STABILIZE THE
EXCHANGE RATE OF THE DOLLAR WITH RESPECT TO EUROPEAN
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CURRENCIES. THE AMERICANS APPEAR TO HAVE AGREED TO

INTERVENE, IN CONCERT WITH THE CENTRAL BANKS OF COUNTRIES WHOSE CURRENCIES MAKE UP THE "SNAKE," TO FORESTALL EXCESSIVE SWINGS IN EXCHANGE RATES WHICH DISRUPT INTERNATIONAL TRADE. END QUOTE.

3. BACKGROUND STORY BY AFP, DATED NOVEMBER 16, QUOTES "AUTHORITATIVE SOURCE" AS SAYING AGREEMENT REACHED IN PRINCIPLE TO ESTABLISH SYSTEM OF "STABLE BUT ADJUSTABLE" EXCHANGE RATES BETWEEN DOLLAR AND "SNAKE" CURRENCIES. ARTICLE CONTINUES: QUOTE. THIS MEANS THAT EUROPEAN AND AMERICAN CENTRAL BANKS WILL INSTITUTE WEEKLY AND MONTHLY RESTORATIONS (REEQUILIBRAGES) OF EXCHANGE RATES IN ORDER TO AVERT EXCESSIVE SWINGS IN EXCHANGE RATES WHICH DISRUPT INTERNATIONAL TRADE. NEVERTHELESS, THE SAME SOURCE STATED, THIS DOES NOT MEAN THAT ONE WILL CHECK IN ANY LASTING WAY THE UPWARD OR DOWNWARD TENDENCIES OF THE MARKET. OBSERVERS BELIEVE THIS COMPROMISE PUTS AN END TO THE FRANCO-AMERICAN DISPUTE ON FIXED AND FLOATING EXCHANGE RATES, LEAVING UNRESOLVED ONLY THE MEANS OF APPLICATION. THEY NOTE IN PARTICULAR THAT FRANCE HAS GIVEN UP ITS HOPE TO RETURN WITHIN A FIXED PERIOD TO A SYSTEM OF FIXED BUT ADJUSTABLE EXCHANGE RATES, WHICH ENCOUNTERED OPPOSITION FROM THE U.S. BUT ALSO FROM GERMANY. FOR THEIR PART, THE AMERICANS NOW SEEM TO BE READY TO INTERVENE IN ORDER TO STABILIZE THE EXCHANGE RATE OF THEIR CURRENCY. ONE CAN THUS FORESEE, THESE OBSERVERS NOTE, THAT AMERICANS AND EUROPEANS WILL SHARE THE TASK ACCORDING TO THEIR INTERESTS. THE AMERICANS COULD INTERVENE TO CHECK AN EXCESSIVE RISE IN THE DOLLAR WHICH WOULD PUT THEM AT A DISADVANTAGE IN FOREIGN TRADE, WHILE THE EUROPEANS COULD PREVENT A SEVERE DROP IN THE DOLLAR WHICH WOULD HANDICAP THEIR EXPORTS. END QUOTE.
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